

# FLETCHER & SIPPEL LLC

ATTORNEYS AT LAW

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Chicago, Illinois 60606-2832

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AUG 10 '06

4-03 PM

## SURFACE TRANSPORTATION BOARD

August 9, 2006

Phone: (312) 252-1500  
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www.fletcher-sippel.com

Mr. Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street, N.W., Room 700  
Washington, DC 20006  
Attn: Office of Recordations



Dear Secretary Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are an original and two (2) copies of a Memorandum of Loan and Security Agreement, dated as of August 1, 2006, a primary document as defined in the Board's Rules for the Recordation of Documents, and an original and two copies of each of the following secondary documents related thereto: Central Car Repair, LLC's Assignment of Rents and Lessor's Interest in Leases; Isla Largo, LLC's Assignments of Rents and Lessor's Interest in Leases; and Permian Basin Railways, Inc.'s Assignment of Rents and Lessor's Interest in Leases dated as of August 1, 2006.

The names and addresses of the parties to the enclosed documents are:

Primary: Memorandum of Loan and Security Agreement

Debtors:

Permian Basin Railways, Inc.  
Central Car Repair, LLC  
Isla Largo, LLC  
Arizona Eastern Railway  
San Luis & Rio Grande Railroad  
Texas & New Mexico Railroad  
West Texas & Lubbock Railway

Secured Party:

Fifth Third Bank  
222 South Riverside Plaza  
32<sup>nd</sup> Floor  
Chicago, Illinois 60606

# FLETCHER & SIPPEL LLC

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Secondary: Assignment of Rents and Lessor's Interest in Leases

Assignor: Central Car Repair, LLC  
118 South Clinton Street, Ste. 300  
Oswego, Illinois 60661

Assignee: Fifth Third Bank  
222 South Riverside Plaza  
32<sup>nd</sup> Floor  
Chicago, Illinois 60606

Secondary: Assignment of Rents and Lessor's Interest in Leases

Assignor: Isla Largo, LLC  
118 South Clinton Street, Suite 300  
Oswego, Illinois 60661

Assignee: Fifth Third Bank  
222 South Riverside Plaza  
32<sup>nd</sup> Floor  
Chicago, Illinois 60606

Secondary: Assignment of Rents and Lessor's Interest in Leases

Assignor: Permian Basin Railways, Inc.  
118 South Clinton Street, Ste. 300  
Oswego, Illinois 60661

Assignee: Fifth Third Bank  
222 South Riverside Plaza  
32<sup>nd</sup> Floor  
Chicago, Illinois 60606

A description of the railroad equipment is attached to each of the documents.

# FLETCHER & SIPPEL LLC

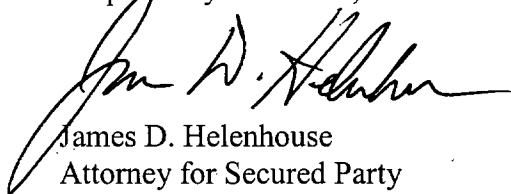
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Included in the property covered by the aforesaid Loan and Security Agreement are locomotives intended for use related to interstate commerce, or interest therein owned by Permian Basin Railways, Inc., Central Car Repair, LLC, Isla Largo, LLC; Arizona Eastern Railway, San Luis & Rio Grande Railroad, Texas & New Mexico Railroad, and West Texas & Lubbock Railway at the date of said Loan and Security Agreement or **thereafter acquired** by any of them or their successors as owners of the property covered by the Loan and Security Agreement.

Also enclosed is a check in the amount of \$136.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of each of the enclosed documents to the undersigned.

Respectfully submitted,



James D. Helenhouse  
Attorney for Secured Party

Enclosures

AUG 10 '06

4-03 PM

**MEMORANDUM OF  
LOAN AND SECURITY AGREEMENT**

**SURFACE TRANSPORTATION BOARD**

THIS MEMORANDUM OF LOAN AND SECURITY AGREEMENT (the "Memorandum") dated as of August 1, 2006, is made by and between Fifth Third Bank (Chicago), a Michigan banking corporation, 222 South Riverside Plaza, 32<sup>nd</sup> Floor, Chicago, Illinois 60606, (the "Bank"), and Permian Basin Railways, Inc., an Illinois corporation, Central Car Repair, LLC, an Illinois limited liability company, and Isla Largo, LLC, an Illinois limited liability company, with its chief executive office and principal place of business at 118 South Clinton Street, Suite 300, Chicago, Illinois 60661 (the "Borrowers").

Borrowers and the Bank hereby state the following:

1. Borrowers and the Bank are parties to that certain Loan and Security Agreement dated as of August 1, 2006 (the "Loan Agreement") (capitalized terms used herein and not otherwise defined shall have the meaning given in the Loan Agreement), whereby the Bank loaned Borrowers certain funds *inter alia* to facilitate the purchase or financing of the Locomotives, Rolling Stock and Equipment more specifically identified on Exhibit A attached hereto and made a part hereof and any Locomotives, Rolling Stock and Equipment acquired by Borrowers subsequent to August 1, 2006.
2. Borrowers' obligations under the Loan Agreement and other loan documents are evidenced by and payable in accordance with the Loan Agreement.
3. Pursuant to the terms of the Loan Agreement and to secure the payment and performance of any and all of Borrowers' obligations to the Bank, Borrowers granted to the Bank a continuing, first priority security interest in and to, and chattel mortgage lien on, all of the Borrowers' right, title and interest in and to the Locomotives, Rolling Stock and Equipment, to have and to hold all and every part of the Locomotives, Rolling Stock and Equipment unto the Bank, its successors and assigns, for its and their own use and benefit forever.

IN WITNESS WHEREOF, the parties have caused this Memorandum to be executed as of the date first above written.

WITNESS:

Robert Leavitt

PERMIAN BASIN RAILWAYS, INC., an Illinois Corporation, individually, and as owner of Arizona Eastern Railway, San Luis & Rio Grande Railroad, Texas & New Mexico Railroad, and West Texas & Lubbock Railway

By:

Name: Edwin Ellis

Title: President

WITNESS:

Robert Leavitt

CENTRAL CAR REPAIR, LLC, an Illinois limited liability company

By: Iowa Pacific Holdings, LLC

Its: Manager

By:

Title: Manager

WITNESS:

Robert Leavitt

ISLA LARGO, LLC, an Illinois limited liability company

By: Iowa Pacific Holdings, LLC

Its: Manager

By:

Title: Manager

WITNESS:

Caren Evers

FIFTH THIRD BANK (CHICAGO), a Michigan Banking Corporation

By:

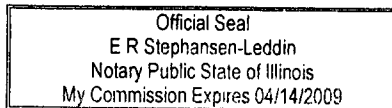
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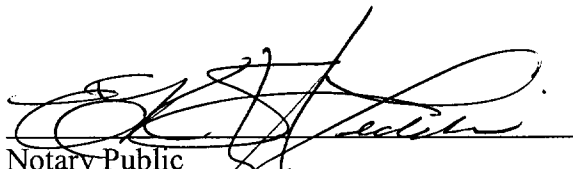
Vice President

STATE OF ILLINOIS       )  
  ) ss  
COUNTY OF COOK       )

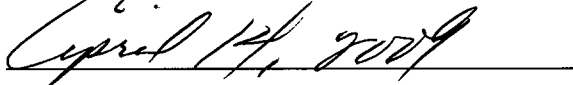
On this 31<sup>st</sup> day of July, 2006, before me, a Notary Public of the County and State aforesaid, personally appeared Edwin Ellis to me personally known, who being by me duly sworn, says that he is the President of Permian Basin Railways, Inc., an Illinois corporation, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

AS WITNESS my hand and notarial seal.



  
Notary Public

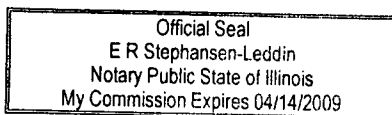
My Commission Expires:

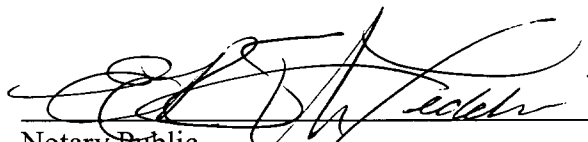


STATE OF ILLINOIS       )  
  ) ss  
COUNTY OF COOK       )

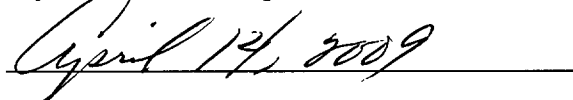
On this 31<sup>st</sup> day of July, 2006, before me, a Notary Public of the County and State aforesaid, personally appeared Edwin Ellis to me personally known, who being by me duly sworn, says that he is the Manager of Iowa Pacific Holdings, LLC, which is the Manager of Central Car Repair, LLC, an Illinois limited liability company, that said instrument was signed on behalf of said company by authority of Iowa Pacific Holdings, LLC's Board of Managers, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

AS WITNESS my hand and notarial seal.



  
Notary Public

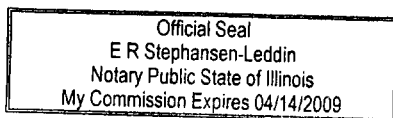
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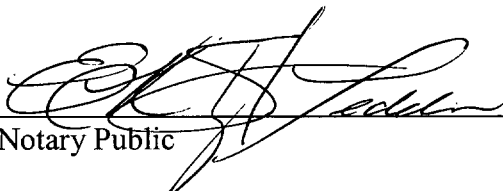


STATE OF ILLINOIS       )  
  ) ss  
COUNTY OF COOK       )

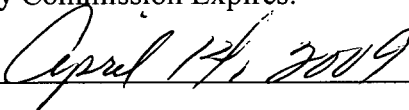
On this 31<sup>st</sup> day of July, 2006, before me, a Notary Public of the County and State aforesaid, personally appeared Edwin Ellis to me personally known, who being by me duly sworn, says that he is the Manager of Iowa Pacific Holdings, LLC, which is the Manager of Isla Largo, LLC, an Illinois limited liability company, that said instrument was signed on behalf of said company by authority of Iowa Pacific Holdings, LLC's Board of Managers, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

AS WITNESS my hand and notarial seal.



  
\_\_\_\_\_  
Notary Public

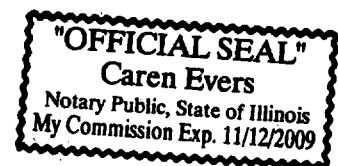
My Commission Expires:

  
\_\_\_\_\_

STATE OF ILLINOIS       )  
  ) ss  
COUNTY OF COOK       )

On this 31<sup>st</sup> day of July, 2006, before me, a Notary Public of the County and State aforesaid, personally appeared Craig Schuth to me personally known, who being by me duly sworn, says that he is the Fifth Third Bank (Chicago), a Michigan banking corporation, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

AS WITNESS my hand and notarial seal.



  
\_\_\_\_\_  
Notary Public

My Commission Expires:

  
\_\_\_\_\_

## EXHIBIT A

### Rolling Stock

#### Locomotives

| Mark | Number | Builder | Type      | H.P. | Built | Serial # | Frame #  | Acquire | Assign |
|------|--------|---------|-----------|------|-------|----------|----------|---------|--------|
| WTLC | 792    | EMD     | GP-7      | 1500 | 1950  | 11118    | 6074-    | 2002    | AZER   |
| WTLC | 107    | EMD     | GP-7      | 1500 | 1951  | 12065    | 5079-    | 2002    | WTLC   |
| WTLC | 115    | EMD     | GP-7      | 1500 | 1951  | 14992    | 6323-    | 2002    | AZER   |
| WTLC | 701    | EMD     | GP-7u     | 1500 | 1952  | 16388    | 5145-22  | 2002    | SFS    |
| WTLC | 2022   | EMD     | GP-7u     | 1500 | 1952  | 17459    | 5200-12  | 2002    | WTLC   |
| AZER | 24     | EMD     | SW-1200   | 1200 | 1963  | 28747    | 7693-001 | 2004    | AZER   |
| AZER | 2039   | EMD     | GP-20     | 2000 | 1961  | 26308    | 7595-005 | 2004    | AZER   |
| AZER | 2044   | EMD     | GP-20E    | 2000 | 1962  | 27353    | 5634-    | 2004    | AZER   |
| AZER | 2045   | EMD     | GP-20R    | 2000 | 1961  | 26311    | 7595-008 | 2004    | AZER   |
| AZER | 2046   | EMD     | GP-20R    | 2000 | 1961  | 26312    | 7595-009 | 2004    | AZER   |
| AZER | 2170   | EMD     | GP-20     | 2000 | 1960  | 25703    | 7583-16  | 2004    | AZER   |
| AZER | 2171   | EMD     | GP-20     | 2000 | 1960  | 26291    | 7594-    | 2004    | AZER   |
| AZER | 2501   | EMD     | GP-35     | 2250 | 1961  | 28403    | 7662-006 | 2004    | AZER   |
| AZER | 2502   | EMD     | GP-35     | 2250 | 1965  | 30219    | 7780-003 | 2004    | AZER   |
| AZER | 2503   | EMD     | GP-35     | 2250 | 1965  | 30221    | 7790-005 | 2004    | AZER   |
| TNMR | 852    | EMD     | GP-7      | 1500 | 1951  | 11937    | 5041-    | 2003    | TNMR   |
| WTLC | 3635   | EMD     | GP-38     | 2000 | 1969  | 35375    | 7191-    | 2003    | WTLC   |
| SLRG | 453    | EMD     | F-40M     | 3000 | 1978  |          |          | 2006    | SLRG   |
| SLRG | 455    | EMD     | F-40M     | 3000 | 1978  |          |          | 2006    | SLRG   |
| SLRG | 456    | EMD     | F-40M     | 3000 | 1978  |          |          | 2006    | SLRG   |
| SLRG | 459    | EMD     | F-40M     | 3000 | 1978  |          |          | 2006    | SLRG   |
| SLRG | 1100   | EMD     | F-9       | 1500 | 1949  |          |          | 2006    | SLRG   |
| SLRG | 1114   | EMD     | F-9       | 1500 | 1949  |          |          | 2006    | SLRG   |
| SLRG | 462    | EMD     | F-40 slug | n/a  | 1978  |          |          | 2006    | SLRG   |
| SLRG | 460    | EMD     | F-40 slug | n/a  | 1978  |          |          | 2006    | SLRG   |
| SLRG | 461    | EMD     | F-40 slug | n/a  | 1978  |          |          | 2006    | SLRG   |
| TPW  | 2050   | EMD     | GP-20     | 2000 | 1960  | 25592    | 7584-20  | 2005    | WTLC   |
| TPW  | 2052   | EMD     | GP-20     | 2000 | 1960  | 25576    | 7584-4   | 2005    | WTLC   |
| TPW  | 2054   | EMD     | GP-20     | 2000 | 1960  | 25577    | 7584-5   | 2005    | WTLC   |
| TPW  | 2056   | EMD     | GP-20     | 2000 | 1960  | 26877    | 7603-47  | 2005    | WTLC   |
| TNMR | 2078   | EMD     | GP-16     | 1600 | 1952  | 16982    | 5152-8   | 2005    | TNMR   |
| TNMR | 2151   | EMD     | GP-7      | 1500 | 1953  | 18888    | 6522-8   | 2005    | TNMR   |



## Freight and Passenger Cars

| Mark | Number | Builder          | Type         | Built | Cap      | Acquire | Assign |
|------|--------|------------------|--------------|-------|----------|---------|--------|
| RPCX | 2948   | Pullman          | Coach        | 1955  | 108-pax  | 2002    | SLRG   |
| RPCX | 2968   | Pullman          | Coach        | 1955  | 108-pax  | 2002    | SLRG   |
| RPCX | 2970   | Pullman          | Coach        | 1955  | 108-pax  | 2002    | SLRG   |
| RPCX | 2974   | Pullman          | Coach        | 1955  | 108-pax  | 2002    | SLRG   |
| AZER | 5064   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5082   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5097   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5189   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5201   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5221   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5224   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5226   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5312   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5313   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5327   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5328   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5341   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5352   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5369   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5388   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 5407   | Greenbrier       | Flat         | 1970  | 70 tons  | 2004    | AZER   |
| AZER | 5460   | Greenbrier       | Flat         | 1968  | 70 tons  | 2004    | AZER   |
| AZER | 7013   | Greenbrier       | Flat         | 1966  | 70 tons  | 2004    | AZER   |
| AZER | 7040   | Greenbrier       | Flat         | 1966  | 70 tons  | 2004    | AZER   |
| AZER | 5508   | Greenbrier       | MW-Flat      | 1956  | 100 tons | 2004    | AZER   |
| AZER | 8771   | Magor            | MW-Side dump | 1929  | 70 tons  | 2004    | AZER   |
| AZER | 1208   | Magor            | MW-Side dump | 1929  | 70 tons  | 2004    | AZER   |
| AZER | 1144   | Pullman-Standard | MW-Ballast   | 1957  | 70 tons  | 2004    | AZER   |
| AZER | 3892   | Pullman-Standard | MW-Ballast   | 1963  | 100 tons | 2004    | AZER   |
| TNMR | 5507   | Unknown          | MW-Flat      | 1951  | 50 tons  | 2002    | TNMR   |
| TNMR | 5506   | Unknown          | MW-Flat      |       | 50 tons  | 2002    | TNMR   |